

National Forum on Ageing

Enabling Independent Healthy Ageing

Demographic Scene Setting

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Registrar General for Scotland



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Pension age must be 70, business leaders warn

Union chiefs say IoD plans would increase poverty among the elderly

MICHAEL SETTLE
UK POLITICAL EDITOR

BUSINESS leaders have called for the lifting of the state pension age to 70 as part of a radical reform of both Government and private retirement benefit systems.

As well as raising the state pension age beyond the present age of 65 because of "greatly increased" longevity, the Institute of Directors (IoD) also calls for the abolition of most means-tested state retirement benefits.

The savings made should be diverted to the provision of a universal basic state pension "probably" above the current level, says an IoD report.

Last night the controversial plans were attacked for benefit-

ing the well-off at the expense of the many who would be left "in limbo" - too old to work but too young to claim a public pension.

Brendan Barber, general secretary of the TUC, said: "The better off you are, the longer you live and the more years you get to claim a state pension."

"A big rise in the state pension age would mean the less well-off lose a much bigger proportion of their pension than longer living affluent pensioners, who are much less dependent on the state pension in any case."

He added: "The IoD report fails to address the platinum-plated pensions enjoyed by FTSE 100 directors, which pay out nearly £250,000 a year and are commonly available at 60."

Graeme Leach, the IoD's chief

economist, said: "Radical simplification is needed. startling increases in longevity in recent decades also mean that it is unrealistic to expect to be able to fund a potential 25 to 30-year retirement from an effective 30 to 35-year working life."

"New approaches are needed to recognise this reality. The whole area of retirement needs to be looked at holistically, including how we fund the care needs which will come with increasing longevity."

"We need a state and private retirement system fit for the 21st century. This is a policy journey which needs to begin now," he added.

In its report, *Roadmap For Retirement Reform*, the IoD says it is time to usher in change to

deliver better outcomes for consumers, better understanding and better engagement in long-term saving.

The retirement age for women is already being gradually

"We need a state and private system fit for the 21st century"

increased from 60 to 65 to bring it into line with that of men. The UK Government wants to delay pensions until 66 from 2026, while the Conservatives have proposed making people work until 66 from 2016.

The report's author, Malcolm Small, senior adviser on pensions

policy at the IoD, said: "Both state and private pension systems have now become so complex that people are becoming disengaged from pension saving and are looking for alternatives."

Mr Leach pointed out: "In 1950, somebody who retired at 65 was projected to live another 12 years. Now it is 19 years and by the middle of this century it is going to be between 20 and 22 years. We just can't afford to fund a pension for 25 or 30 years out of a working life which is probably 35 to 40 years. It just doesn't add up."

He explained that people could substantially boost the value of their pensions by adding a few years to their working lives, because of the effects of compound interest.



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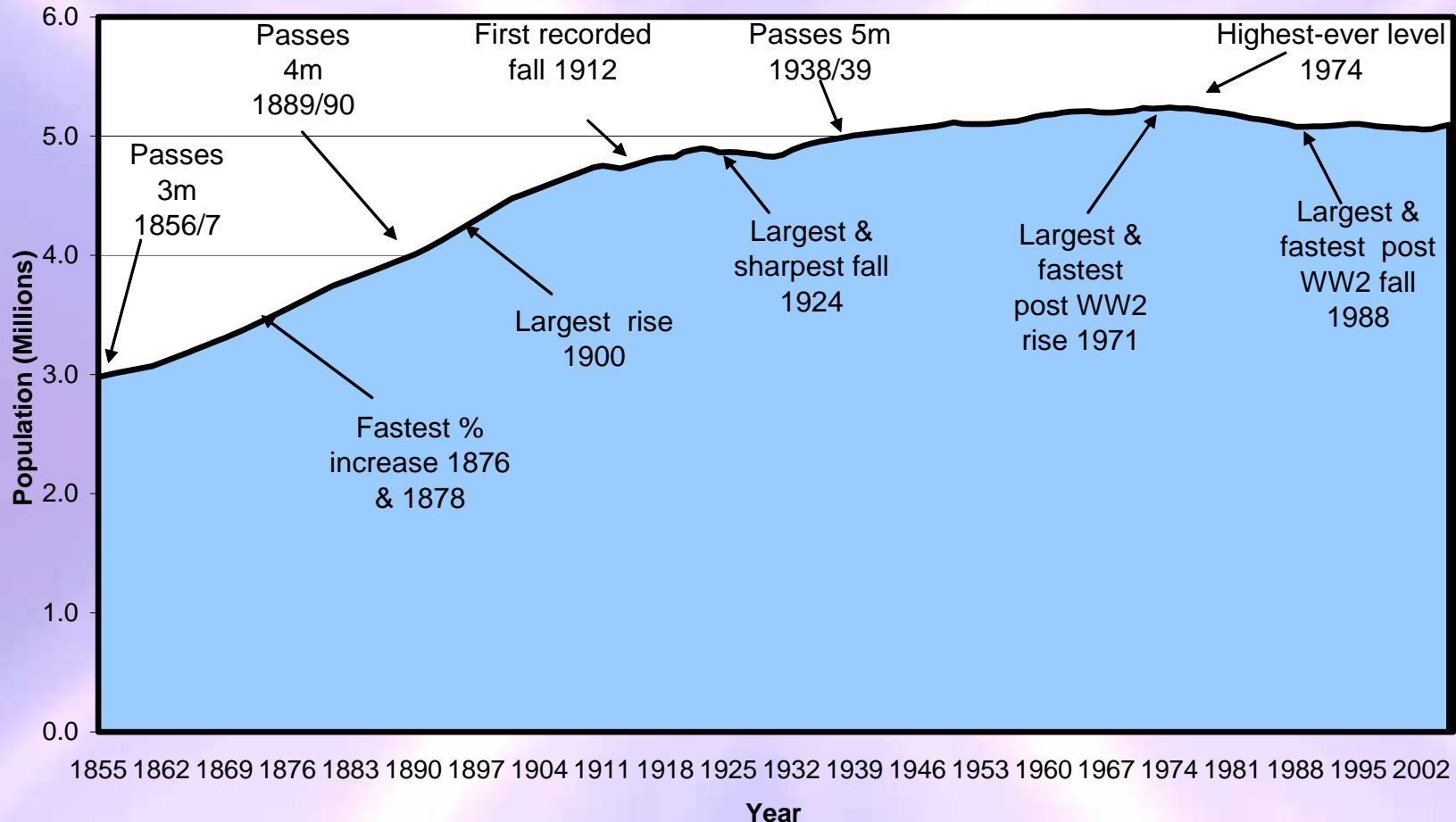
What I'll speak about

- Trends in total population
- Changes in age structure
- Geographical differences within Scotland
- Life expectancy
- Healthy life expectancy



Looking backward

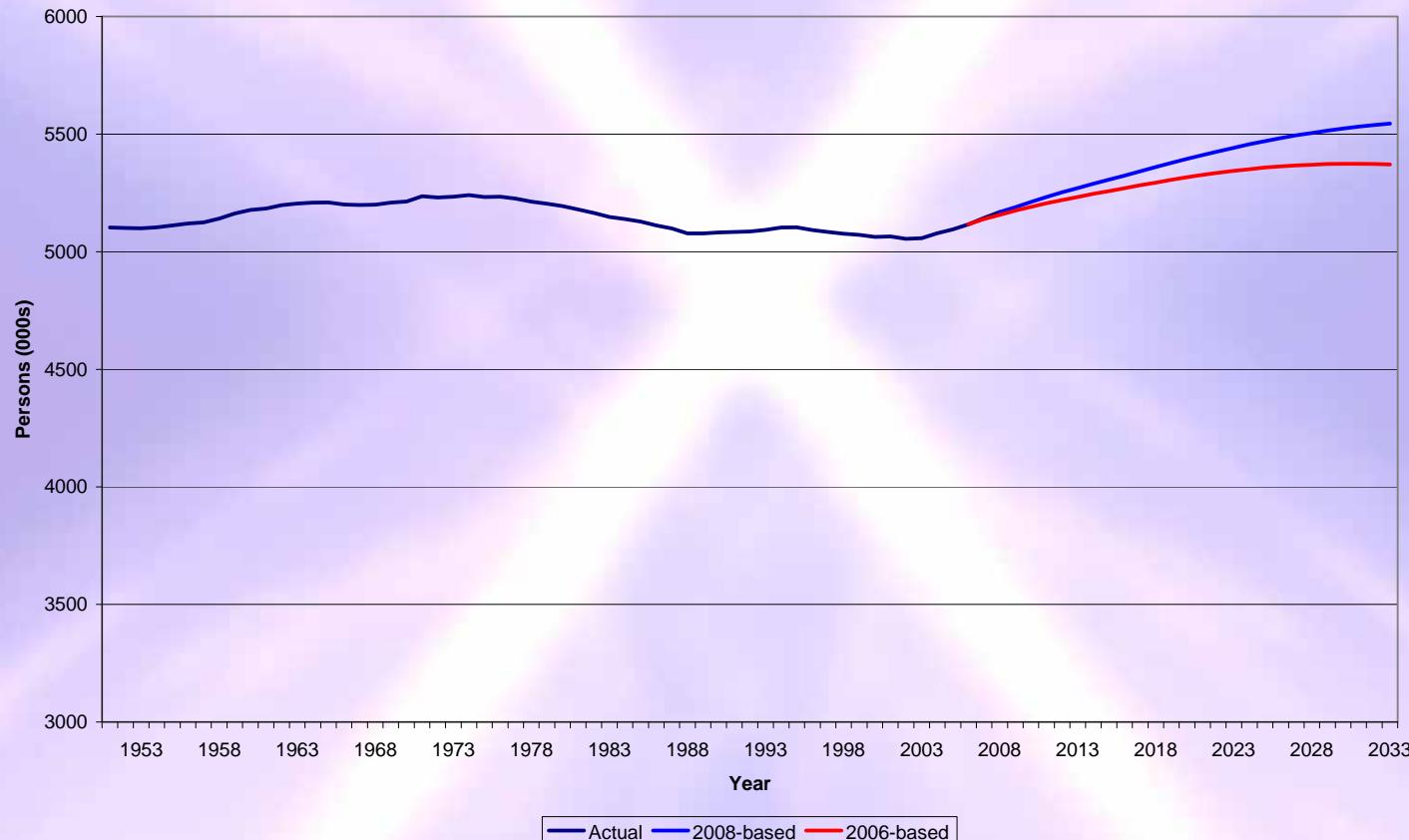
Trends since 1855



Looking forward

Actual and projected population 1951-2033

(2006 and 2008 based projections)

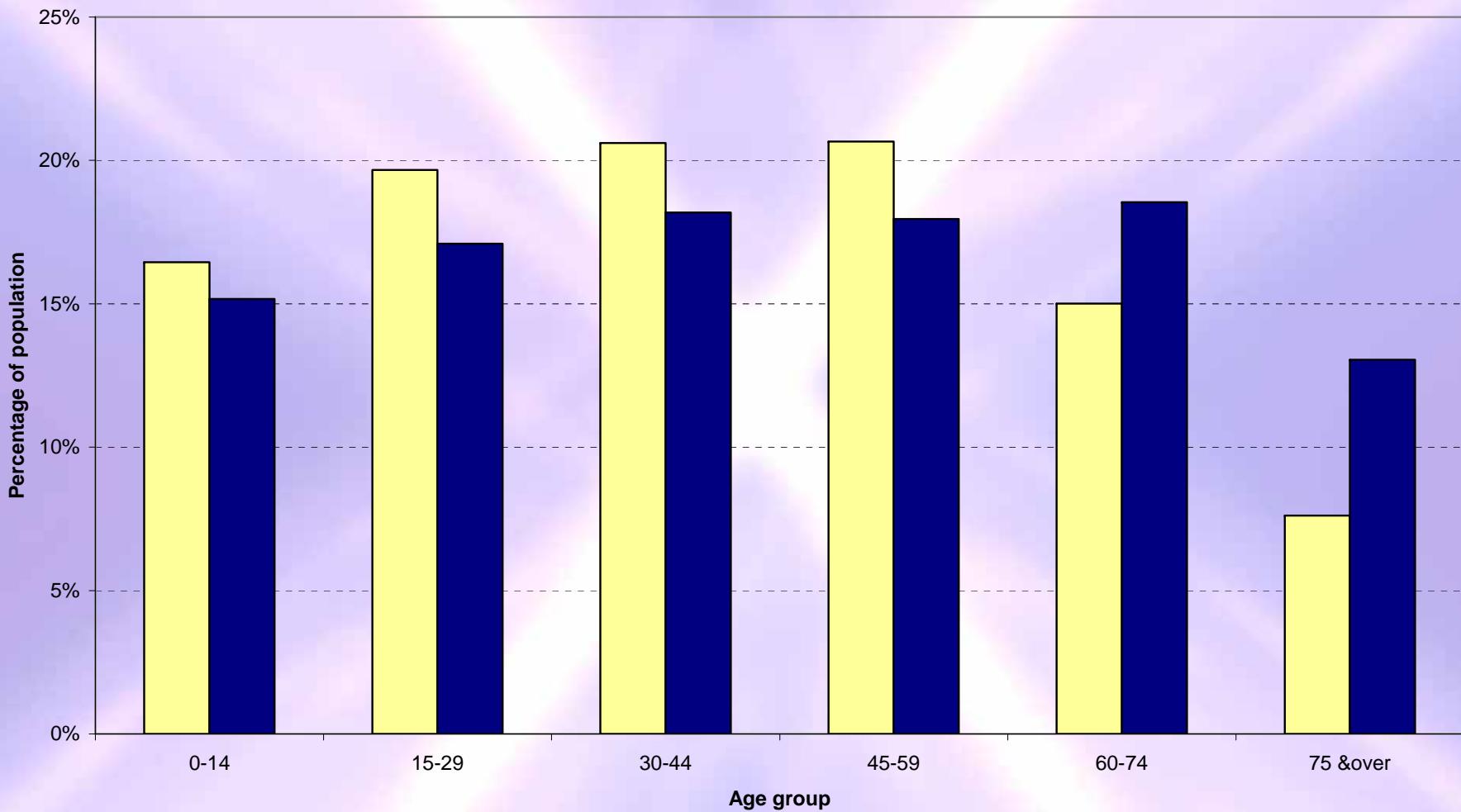


As well as showing trends in the total population, the projections also show the differences between age groups



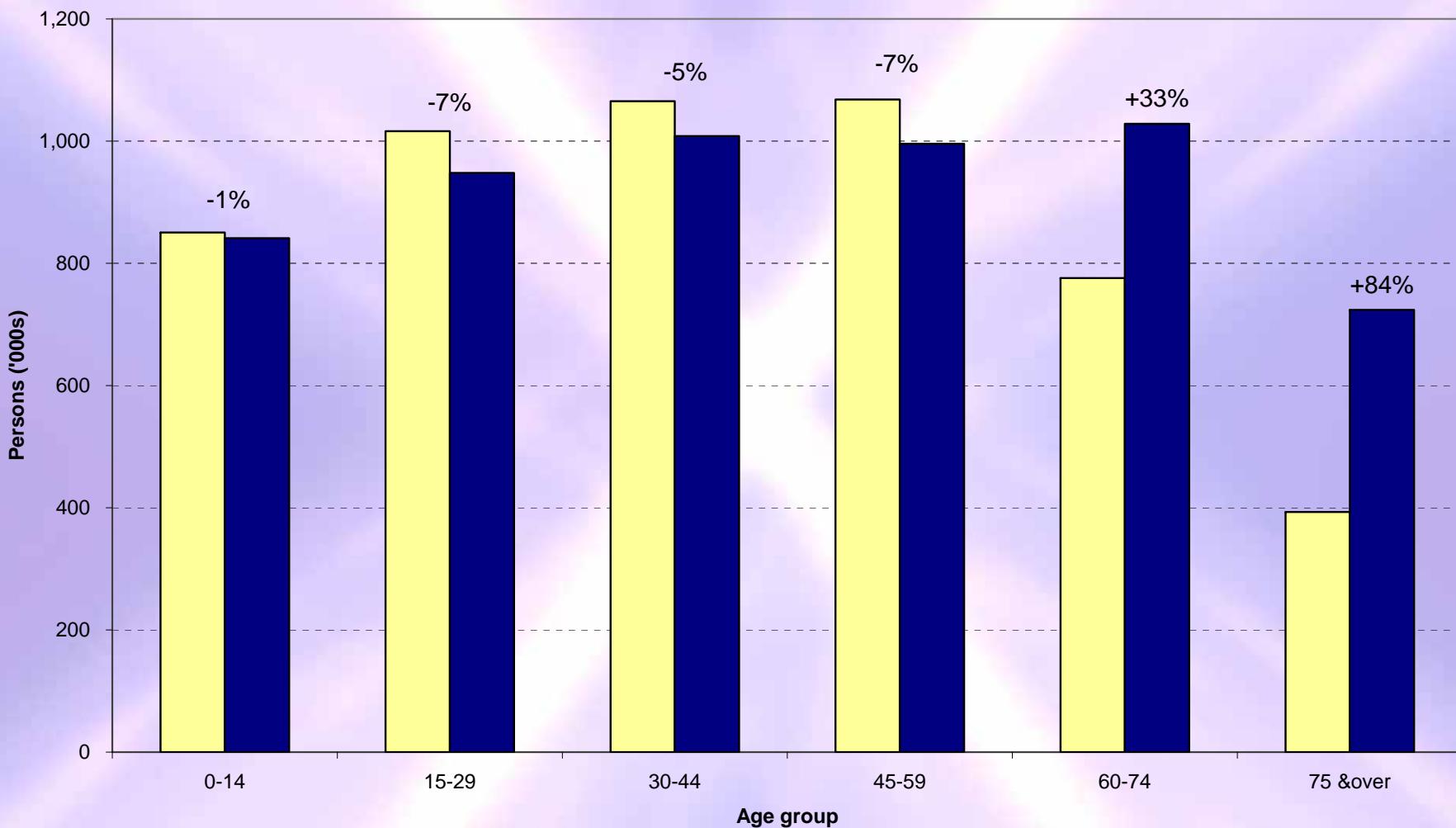
Age structure 2008 and 2018

(Percentage of total population)



Age structure 2008 and 2033

(Numbers)



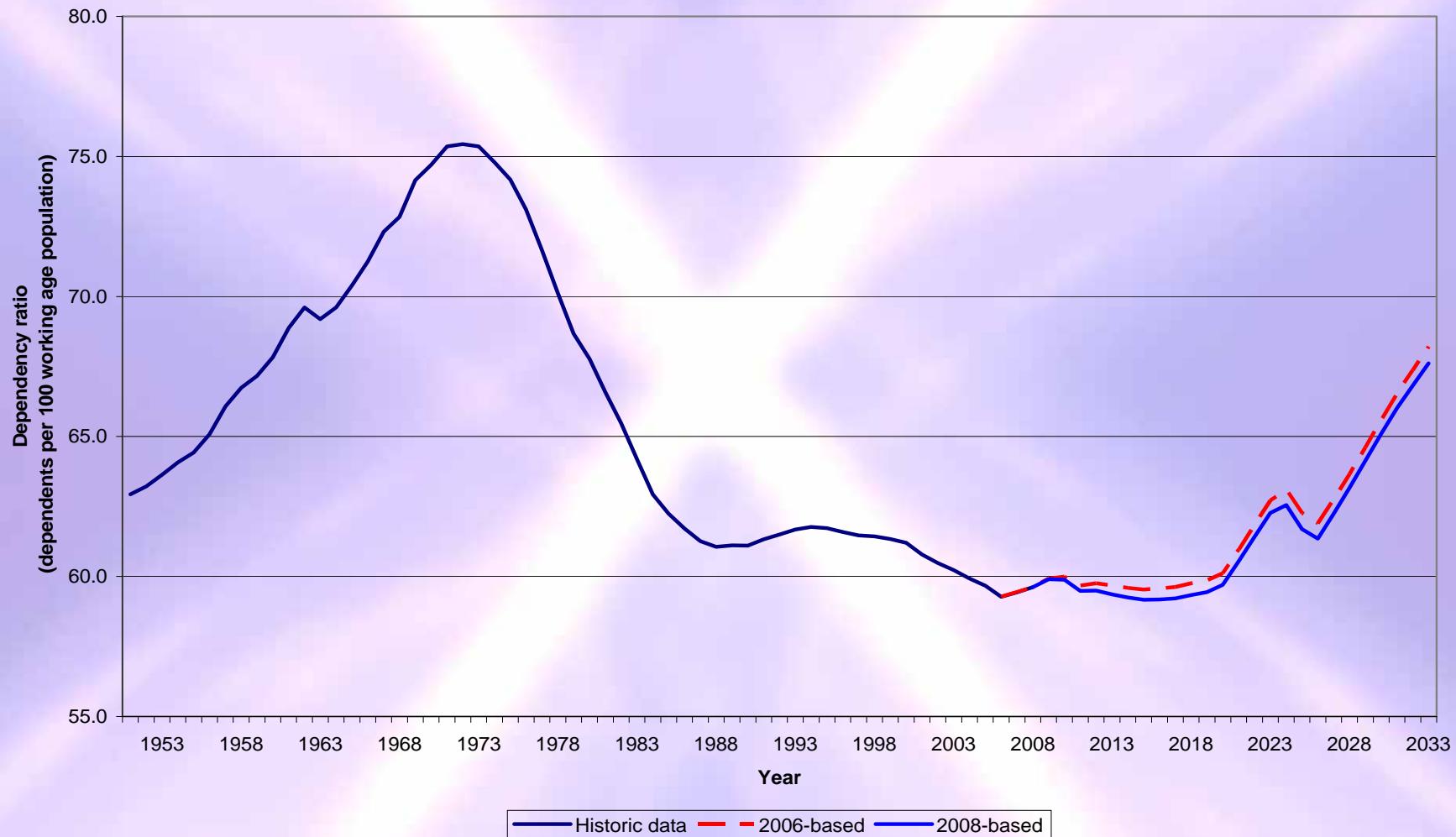
Dependency Ratio

- “Dependency ratio” is number of children and pensioners per 100 people of working age
- As the age structure of Scotland’s population changes, the ratio will change as well



Dependency ratio 1951-2033

(2006 and 2008 based projections)



¹ Between 2010 and 2020 the retirement age for women will rise from 60 to 65 and then between 2024 and 2026 will rise for both men and women to 66.



Dependency Ratio

- In 1974, 27% of population were children and 16% pensioners
- In 2012, 17% will be children and 20% pensioners



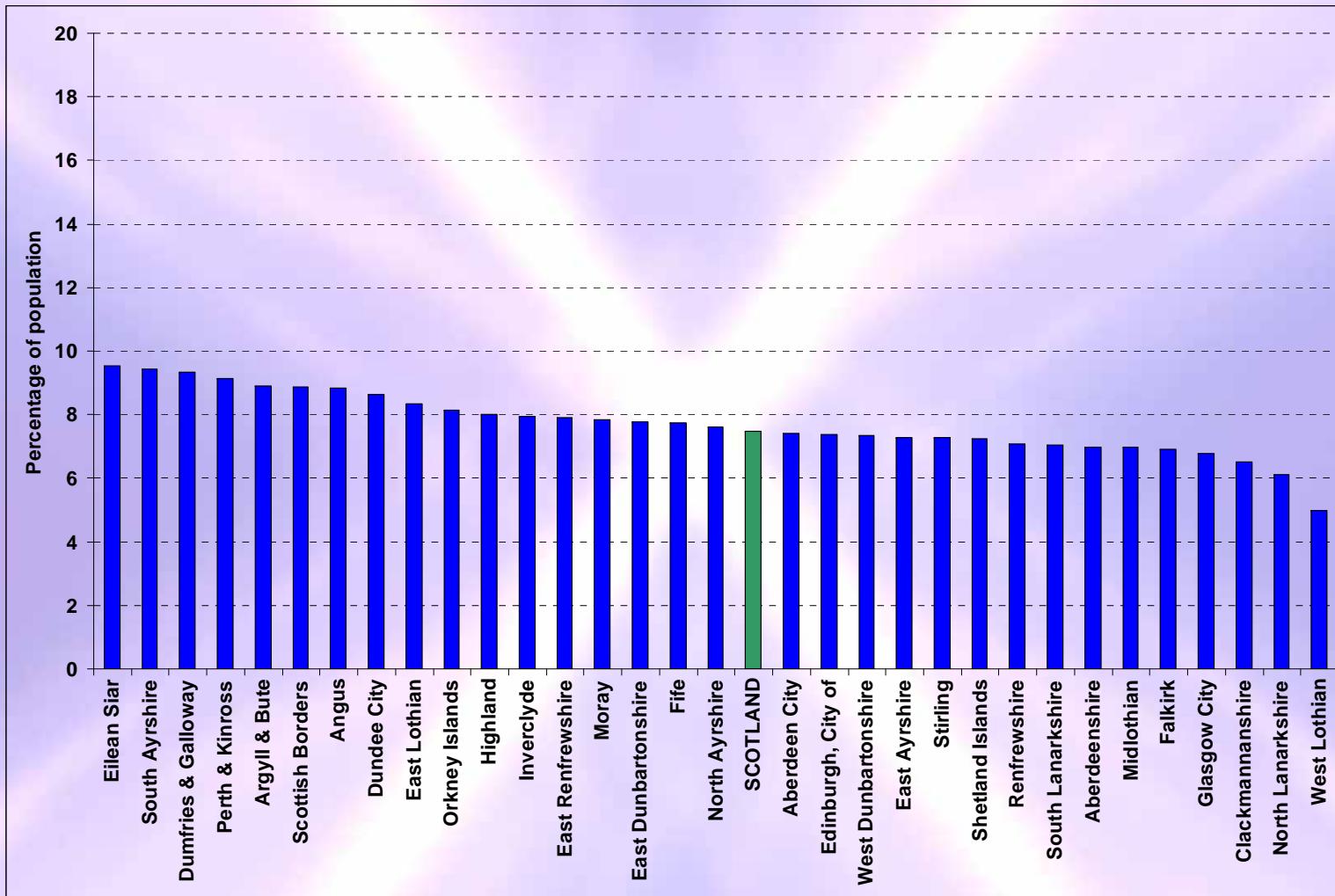
Geography is important



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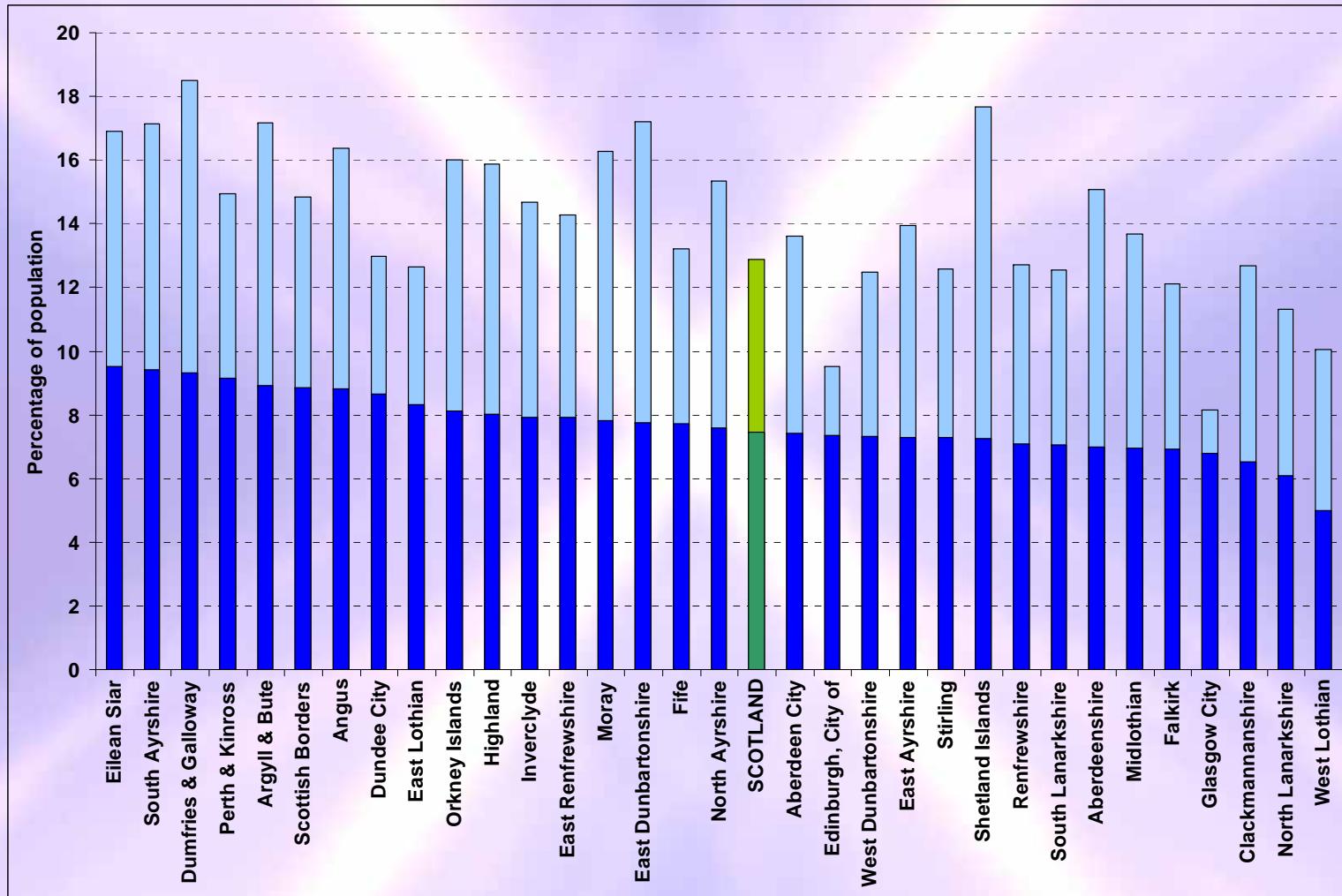
Geographical distribution of over 75s, 2006

(Percentage of total population)



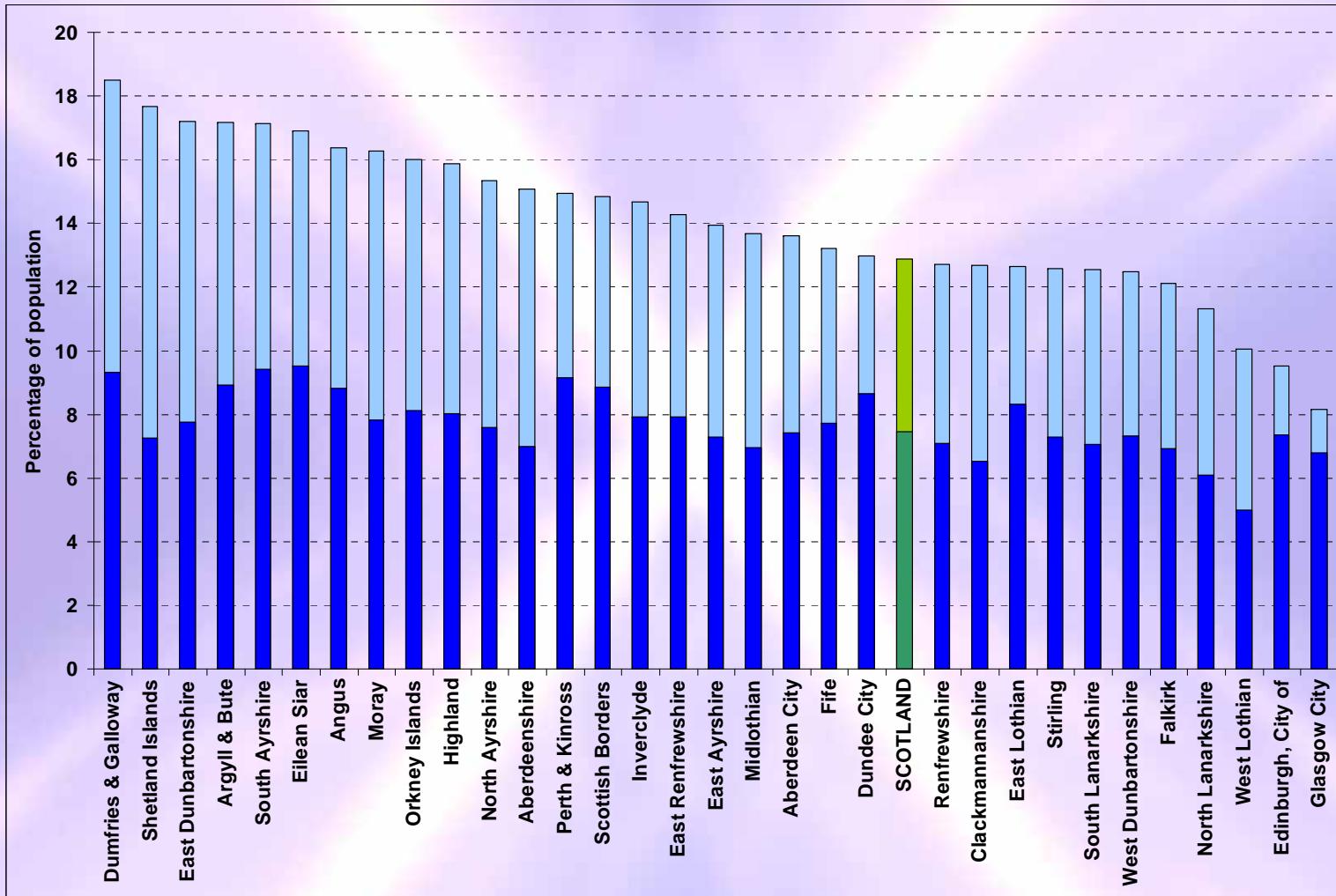
Geographical distribution of over 75s, 2031

(Percentage of total population)



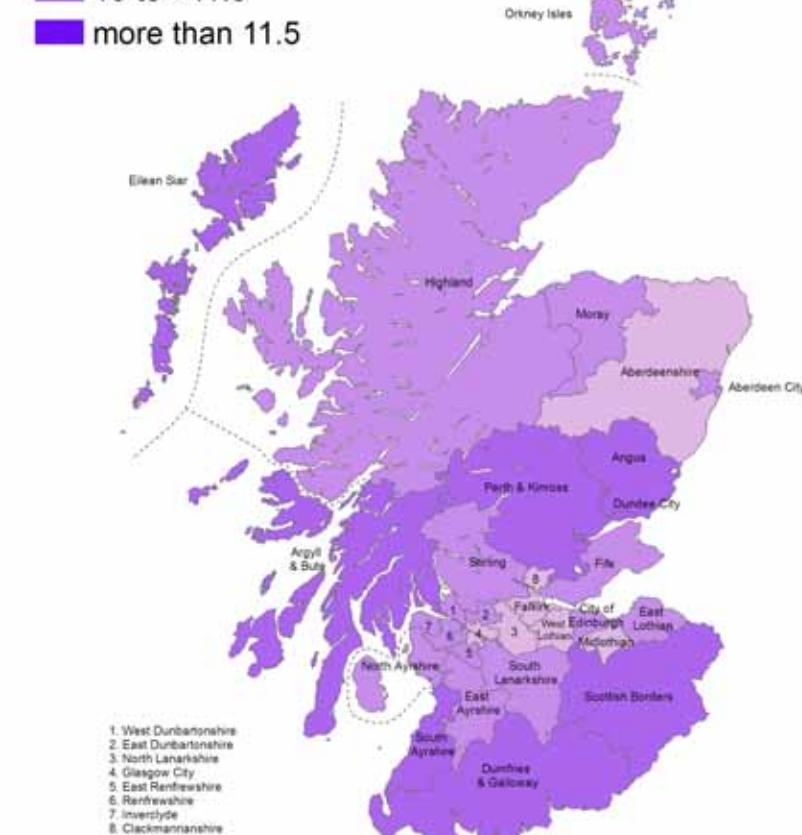
Geographical distribution of over 75s, 2031

(Percentage of total population)



2006 Population over 75 (%)

- less than 7
- 7 to < 8.5
- 8.5 to <10
- 10 to <11.5
- more than 11.5



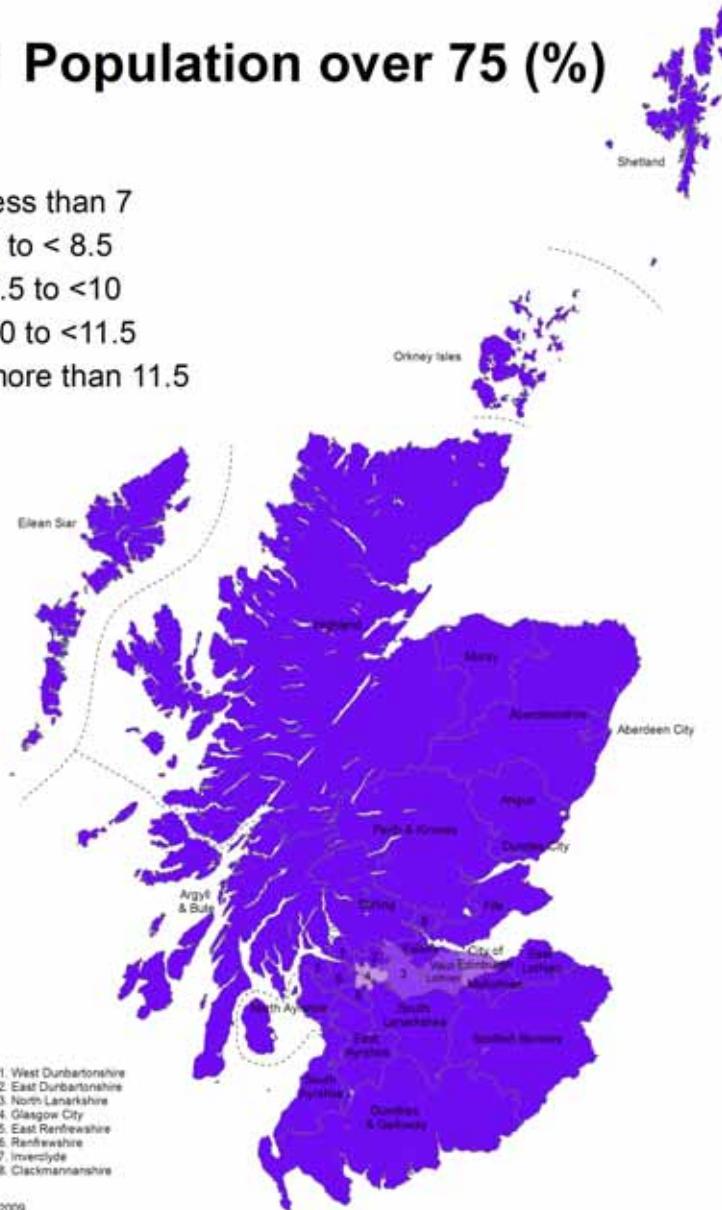
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2031 Population over 75 (%)

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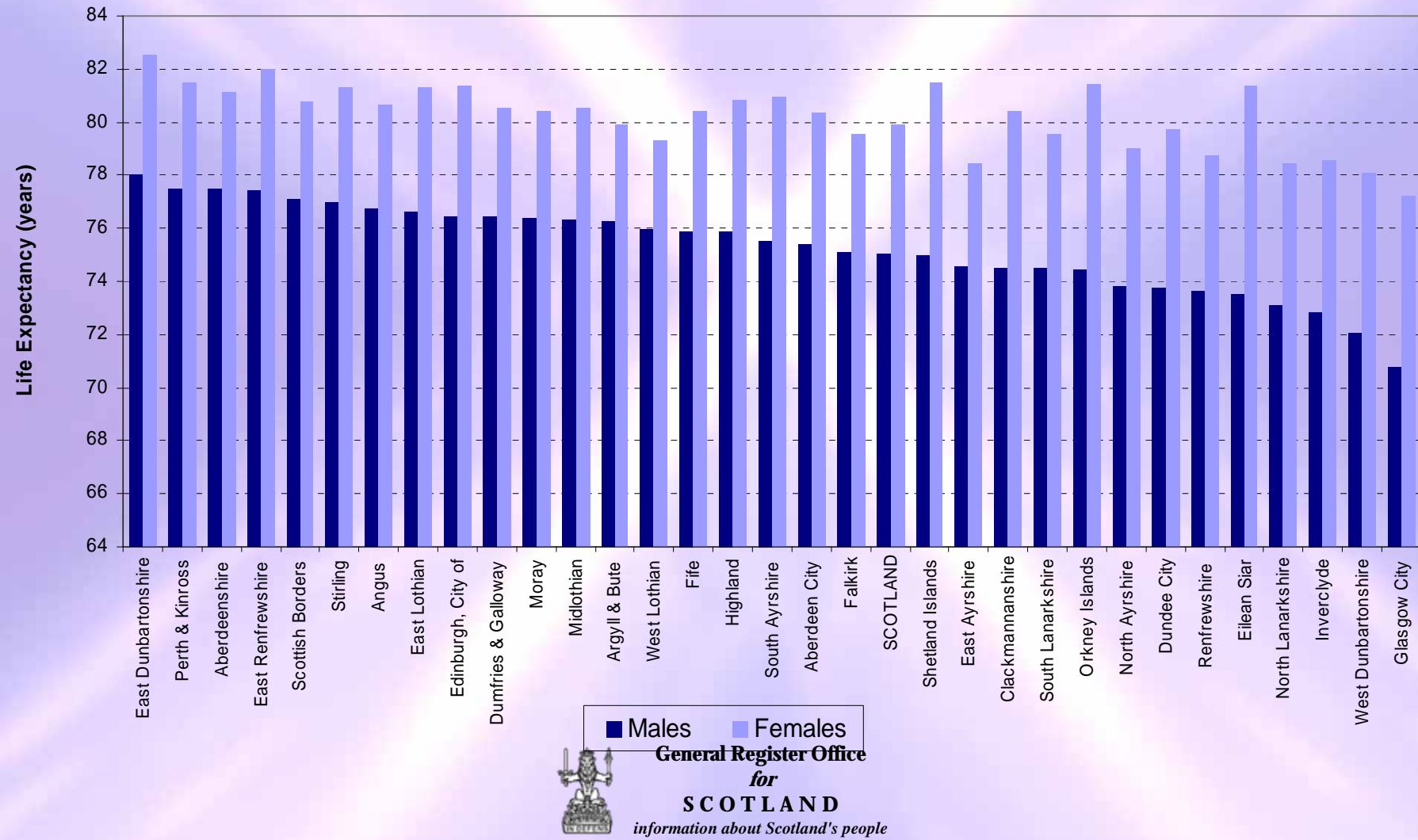
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Life expectancy has important geographical dimension too

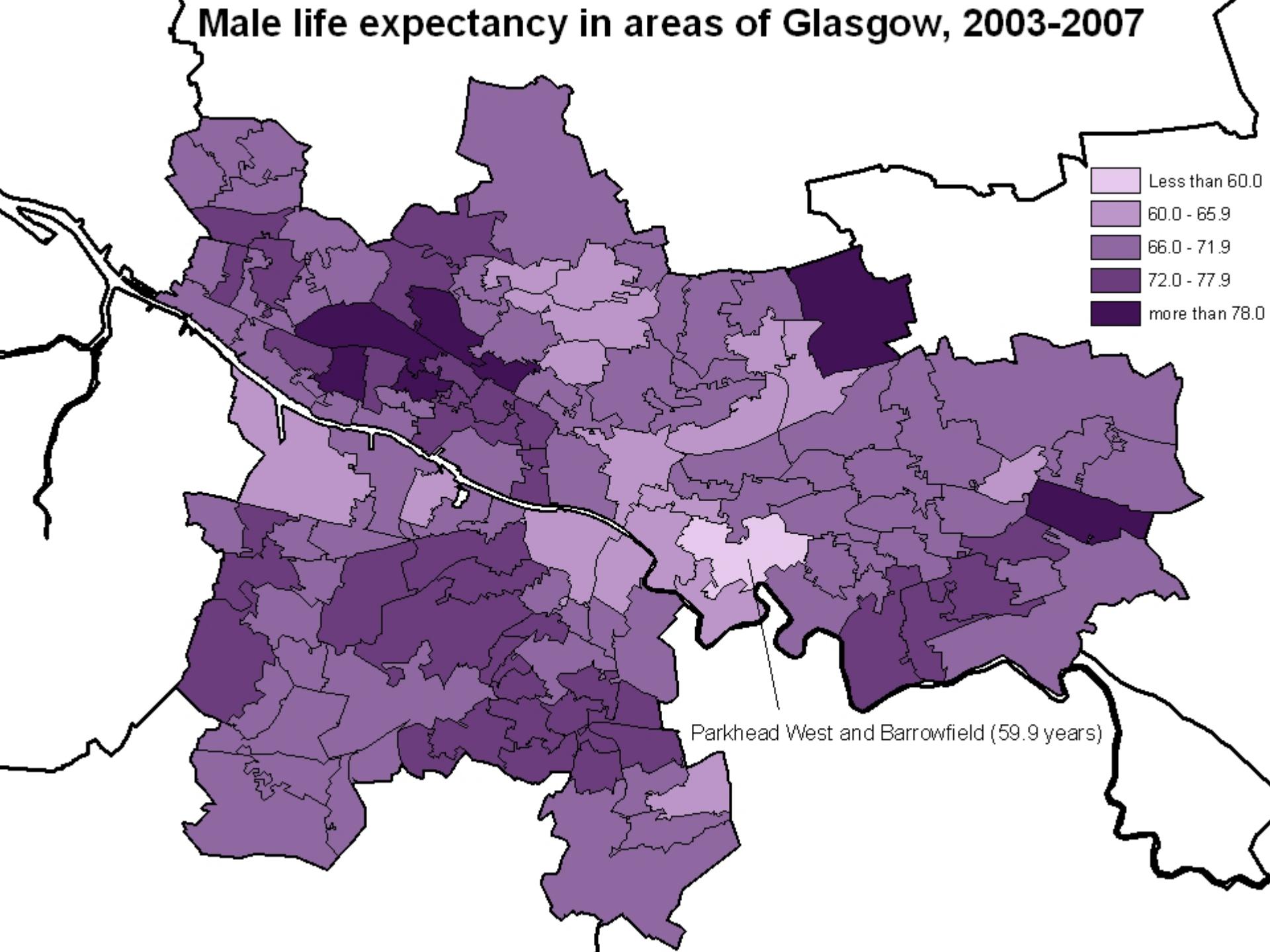


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Life expectancy at birth 2006-08

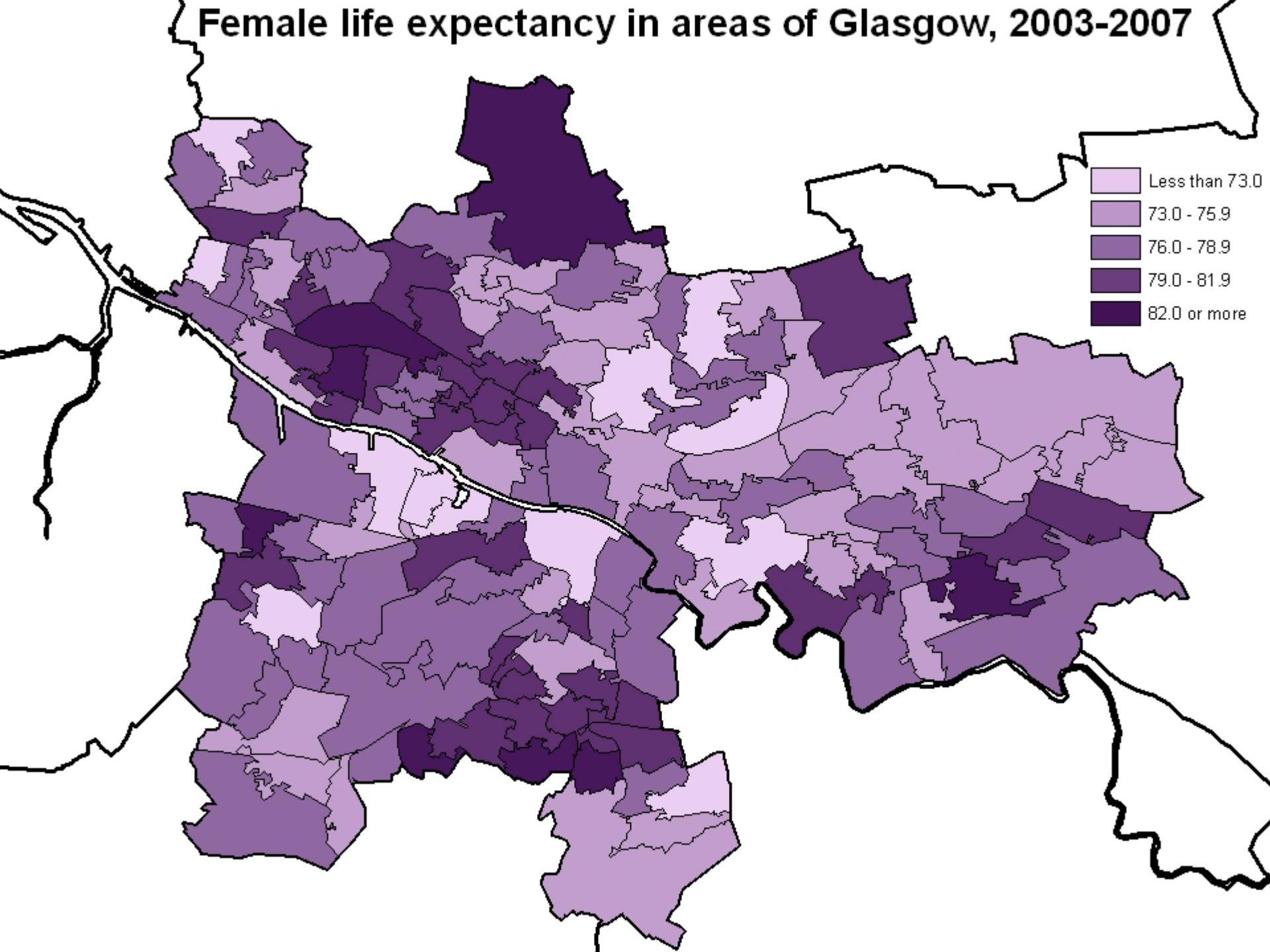


Male life expectancy in areas of Glasgow, 2003-2007



Parkhead West and Barrowfield (59.9 years)

Female life expectancy in areas of Glasgow, 2003-2007

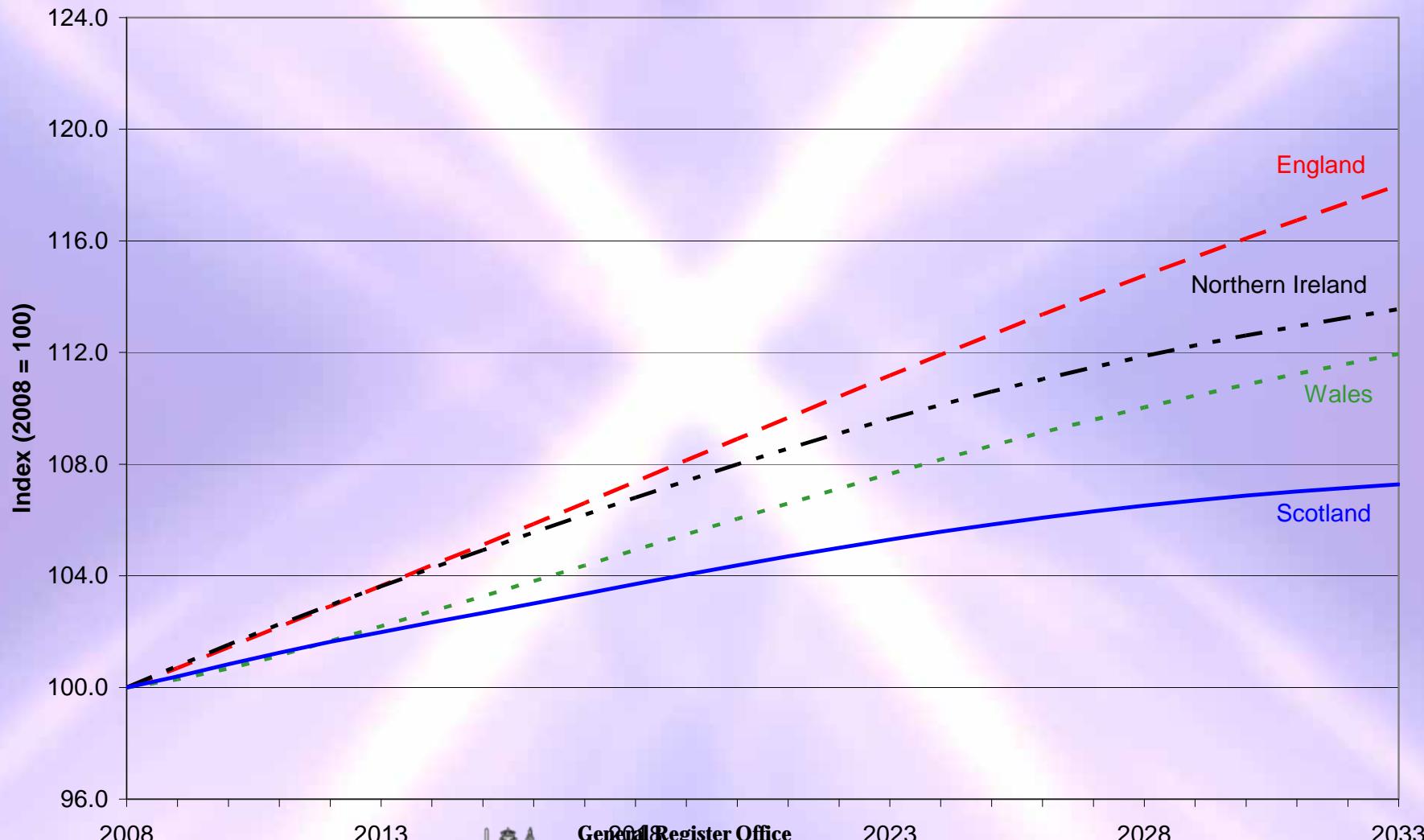


Scotland in the UK setting

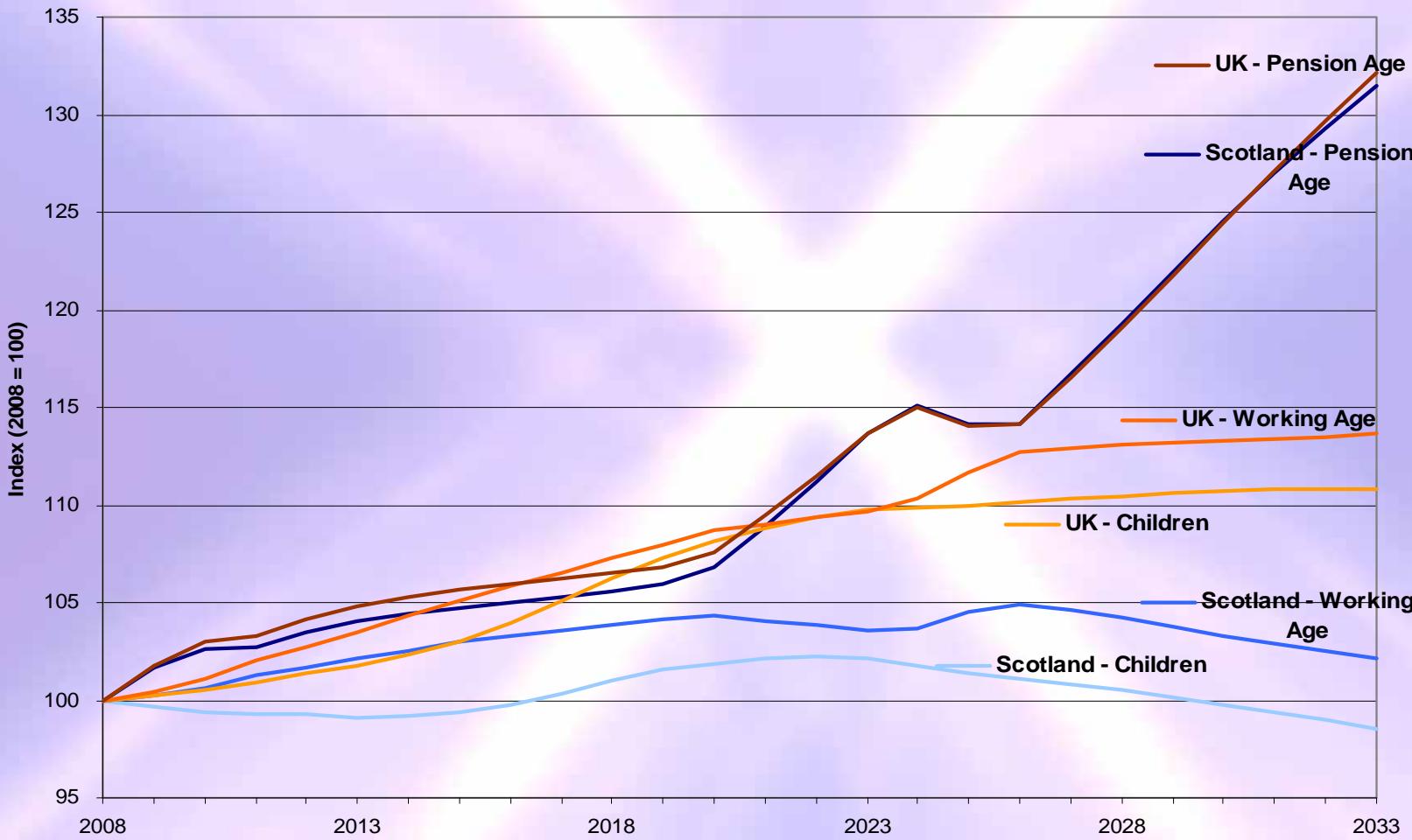


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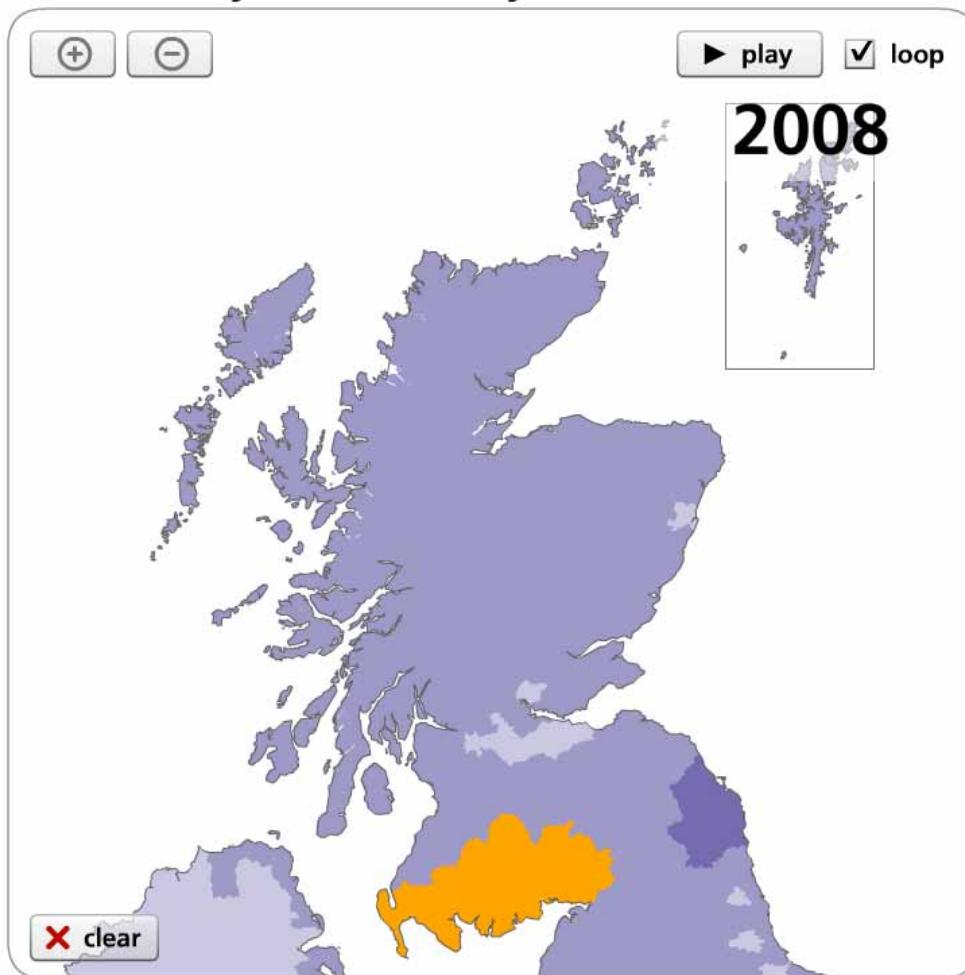
Projected population growth, 2008-2033



Projected percentage change in population 2008-2033



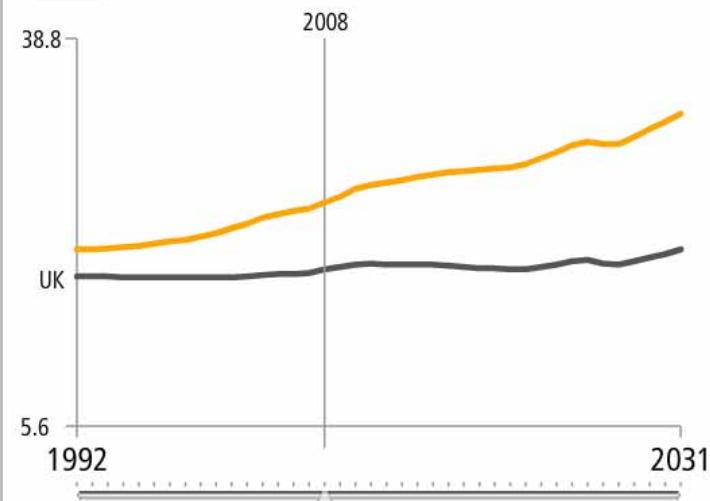
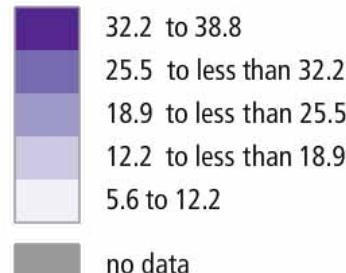
The ageing of the United Kingdom: Population aged State Pension Age and over 1992-2031, by Local Authority



Select a demographic indicator:

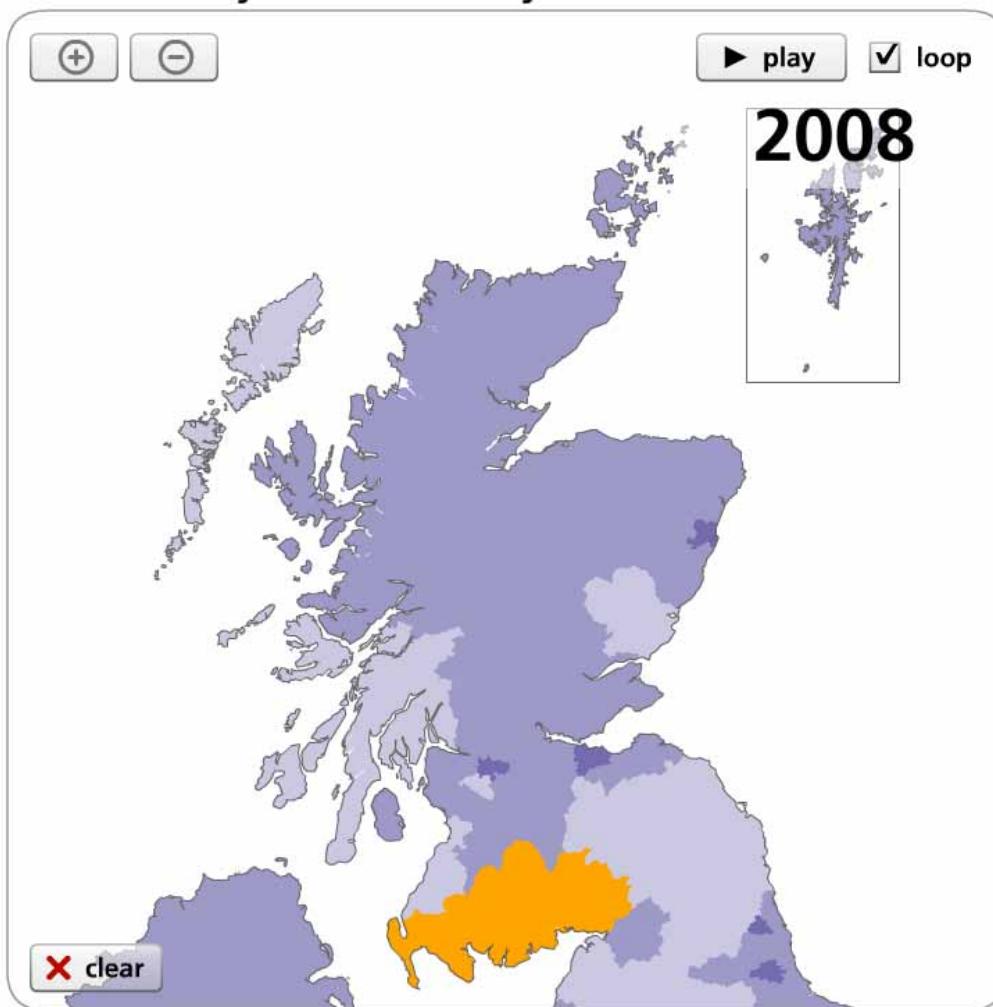
Population aged State Pension Age and over

percentage of total population



- Dumfries & Galloway (2008) = 25.2 per cent
(6.0 per cent more than the UK value of 19.2 per cent)

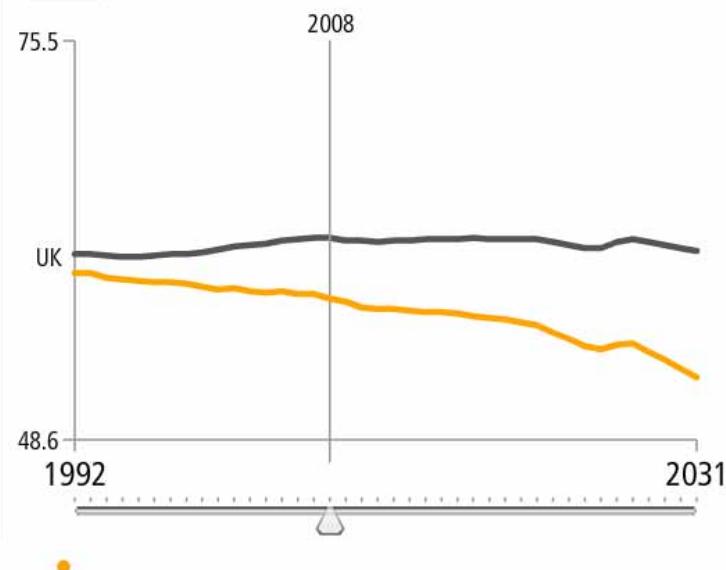
The ageing of the United Kingdom: Population aged 16 to State Pension Age 1992-2031, by Local Authority



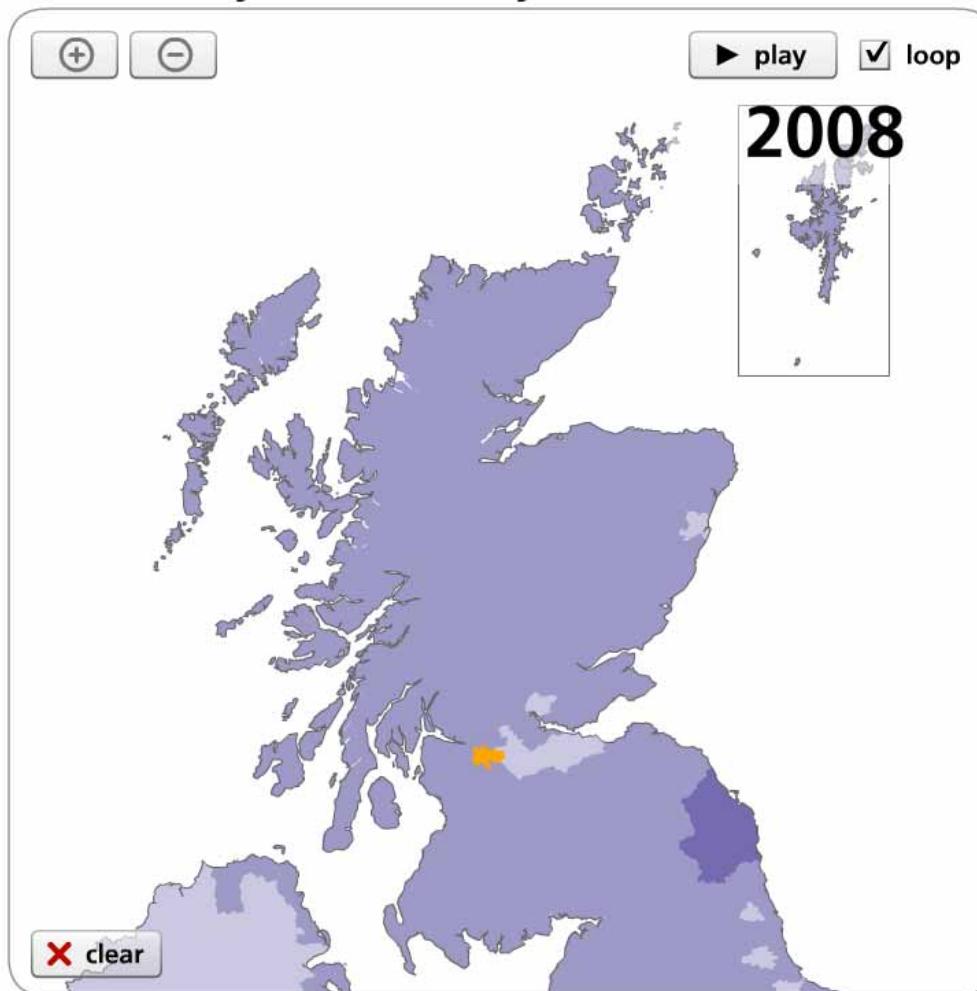
Select a demographic indicator:

Population aged 16 to State Pension Age

percentage of total population



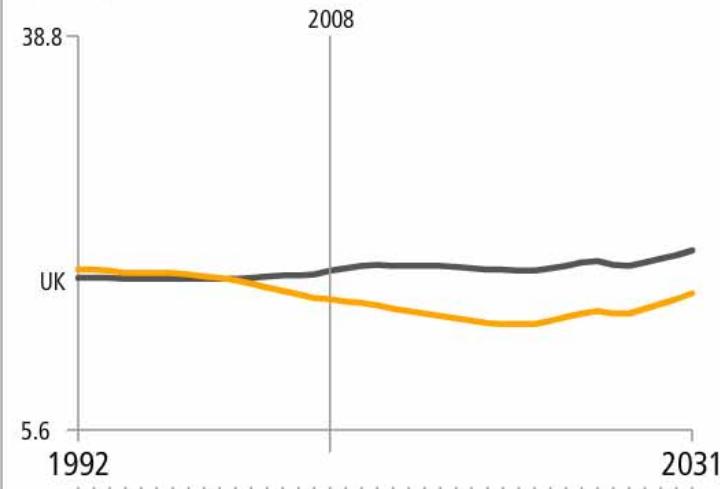
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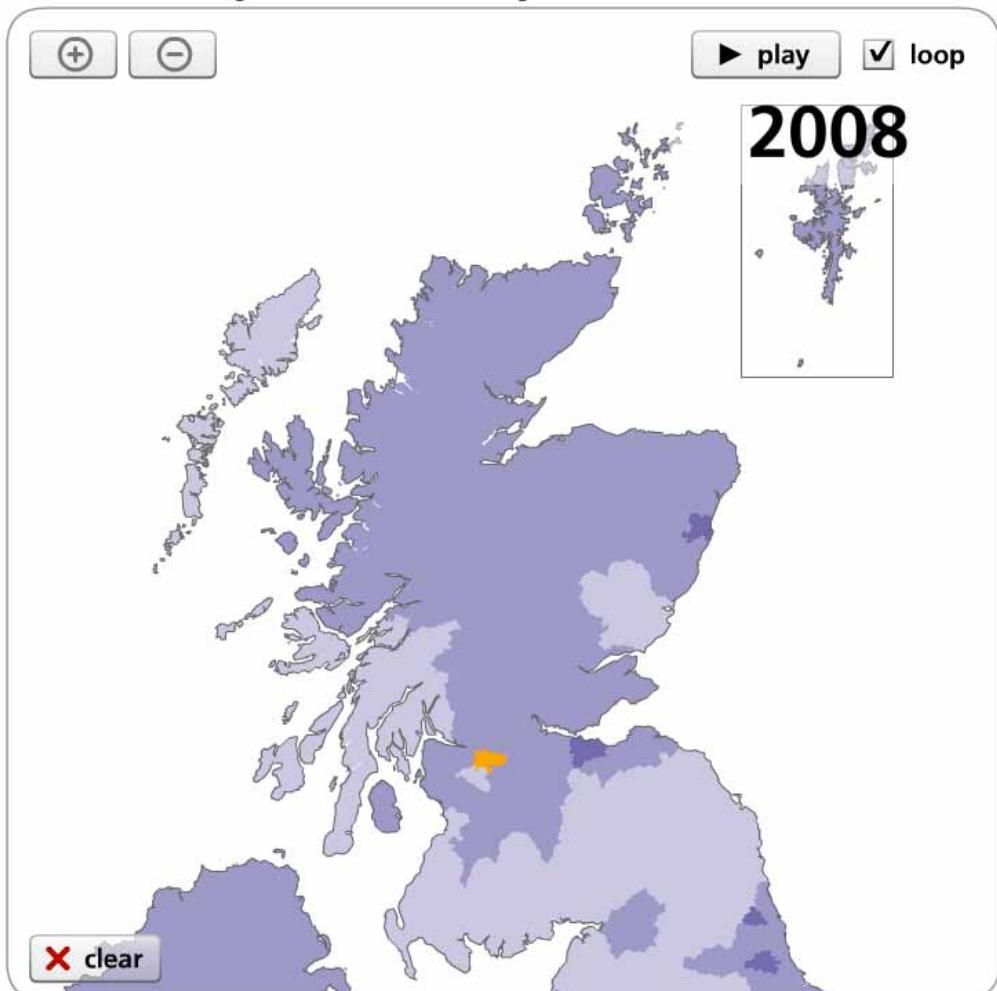
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The ageing of the United Kingdom: Population aged 16 to State Pension Age 1992-2031, by Local Authority

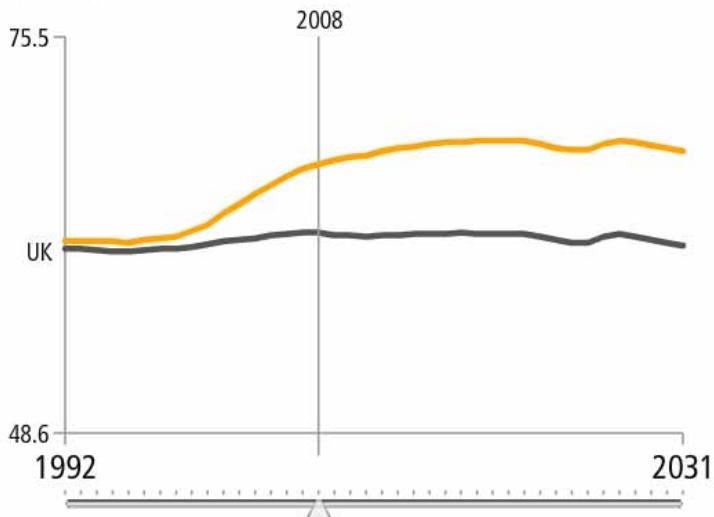
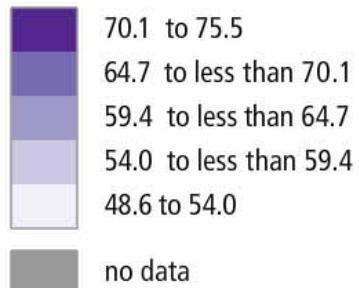


Glasgow City selected
click on the clear button to see values for other areas

Select a demographic indicator:

Population aged 16 to State Pension Age

percentage of total population



• Glasgow City (2008) = 67.1 per cent
(5.1 per cent more than the UK value of 62.0 per cent)

ONS Data Visualisation Tool

<http://www.statistics.gov.uk/ageingintheuk/agemap.html>



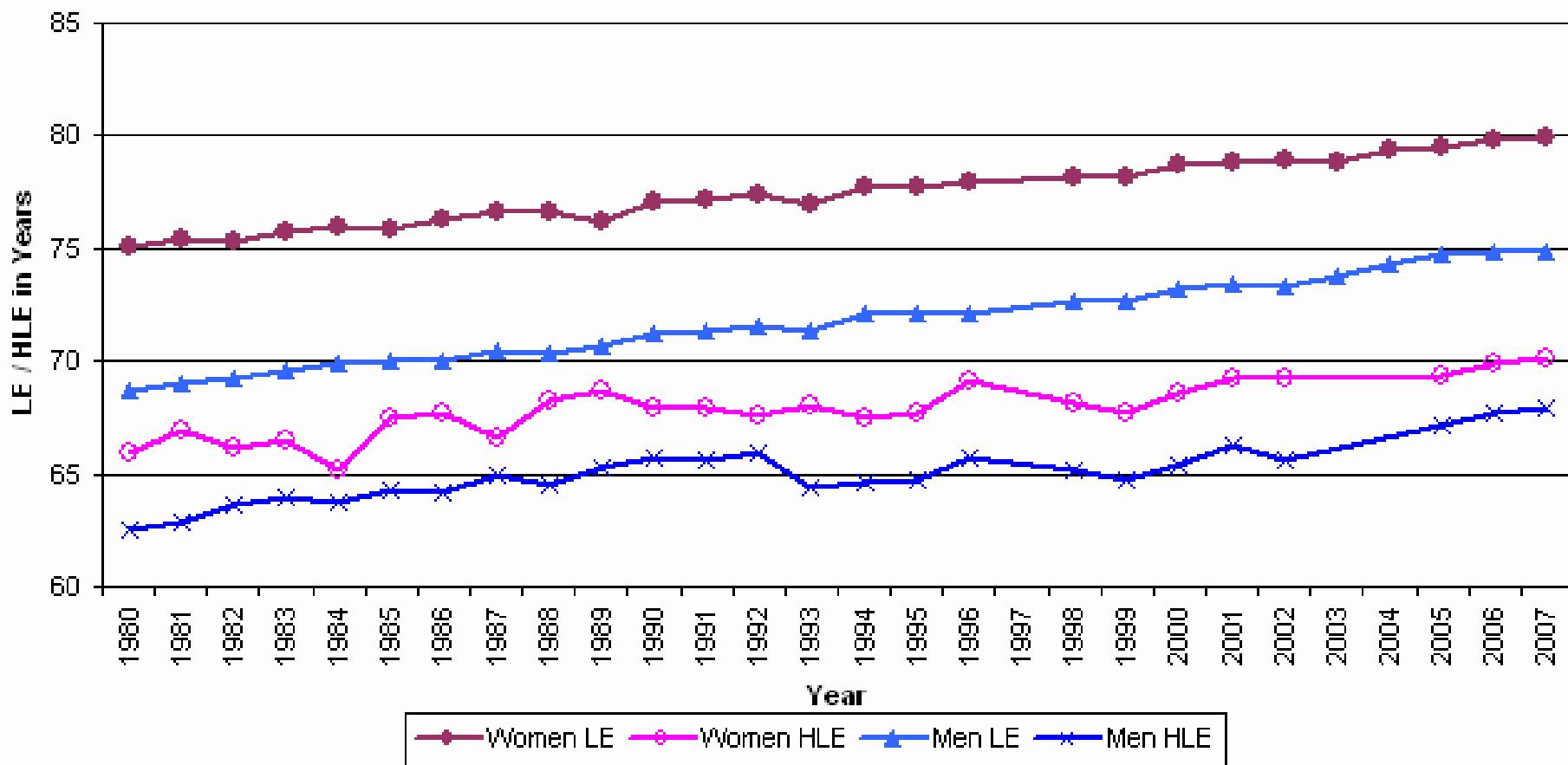
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Healthy Life Expectancy

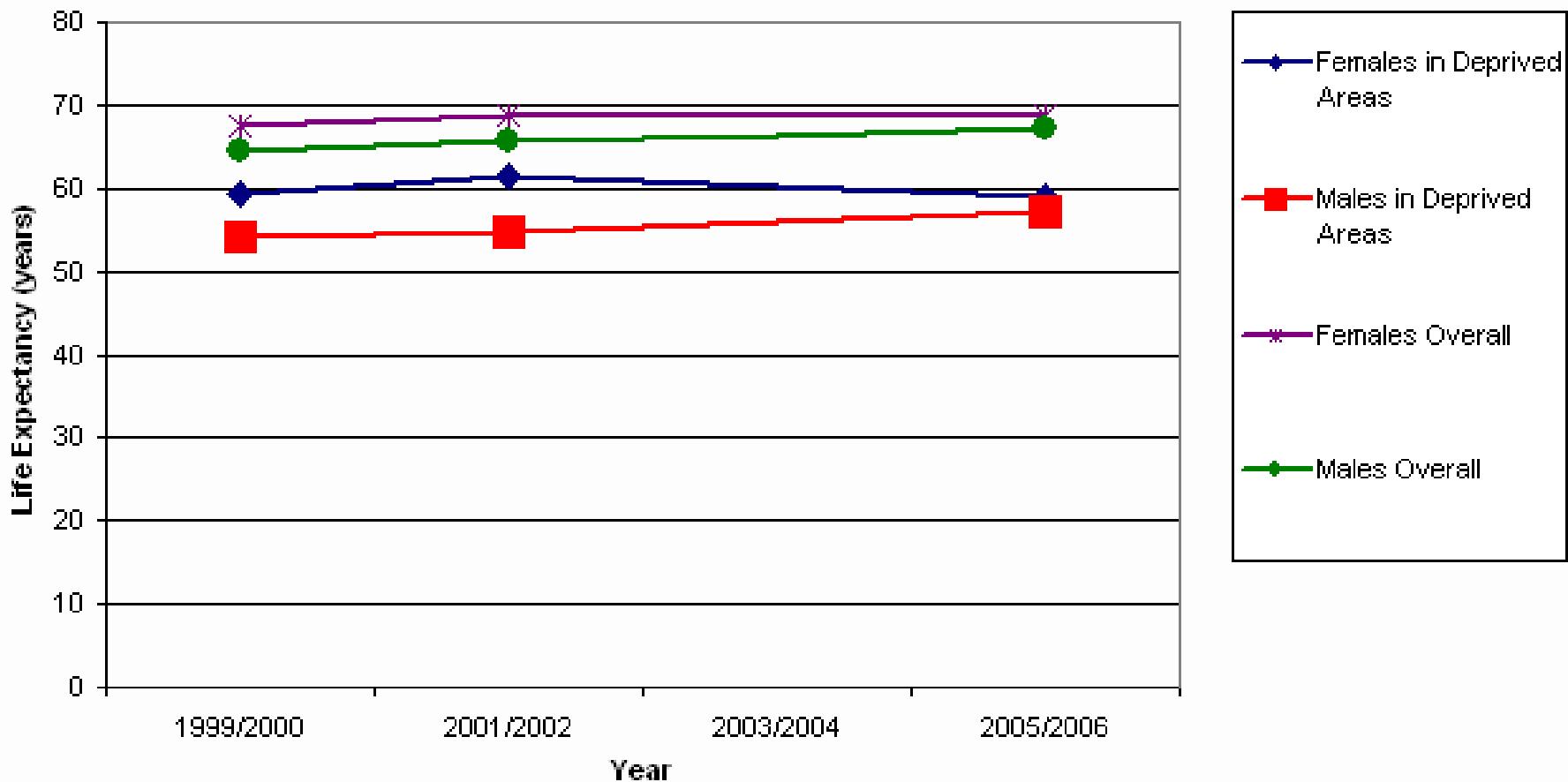
- Healthy life expectancy (HLE) is defined as the number of years people can expect to live in good health.
- The discrepancy between healthy and total life expectancy (LE) therefore indicates the length of time people can expect to spend in poor health.



Life Expectancy and Healthy Life Expectancy at Birth, 1980 to 2007



Healthy Life Expectancy at Birth in SIMD 15% most deprived areas, 1999-2000 to 2005-2006



Conclusions

- Ageing the most important demographic change which faces us
- 84% increase in over 75s by 2033, to 13% of population or 700,000+
- Dependency ratio not unprecedented
- Big geographic differences – over 75s in 2031, Dumfries & Galloway 18%, Glasgow 8%
- Focus on **healthy** life expectancy – lag on life expectancy and big inequalities

